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BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION  
DOCKET CONTROL

**COMMISSIONERS**

2017 MAY 17 P 3:17

TOM FORESE – Chairman  
BOB BURNS  
DOUG LITTLE  
ANDY TOBIN  
BOYD DUNN

Arizona Corporation Commission

**DOCKETED**

MAY 17 2017

DOCKETED BY  
*GIB*

IN THE MATTER OF THE APPLICATION  
OF ARIZONA PUBLIC SERVICE  
COMPANY FOR A HEARING TO  
DETERMINE THE FAIR VALUE OF THE  
UTILITY PROPERTY OF THE COMPANY  
FOR RATEMAKING PURPOSES, TO FIX  
A JUST AND REASONABLE RATE OF  
RETURN THEREON, TO APPROVE  
RATE SCHEDULES DESIGNED TO  
DEVELOP SUCH RETURN.

DOCKET NO. E-01345A-16-0036

IN THE MATTER OF FUEL AND  
PURCHASED POWER PROCUREMENT  
AUDITS FOR ARIZONA PUBLIC  
SERVICE COMPANY.

DOCKET NO. E-01345A-16-0123

**POST-HEARING BRIEF  
OF  
ARIZONA INVESTMENT COUNCIL**

May 17, 2017

OSBORN  
MALEDON

A PROFESSIONAL ASSOCIATION  
ATTORNEYS AT LAW

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1     **I.     Introduction.**

2           As the energy landscape evolves in Arizona, and customers are offered the  
3 opportunity to adopt new technologies that allow them customer-sided electricity  
4 management, the utilities, utility stakeholders, and the Arizona Corporation Commission  
5 must evolve too. Technologies such as rooftop solar, energy storage devices, smart in-  
6 home thermostats, and electric vehicles all change *how* customers use the grid, but not  
7 *whether* they use it. The power grid is now, and will be for the foreseeable future, the  
8 backbone of our electric system. Arizona's grid infrastructure remains fundamental to  
9 the provision of reliable, high quality, and cost effective electric service.

10          To keep up with this evolution, it is necessary for utility rate design to evolve.  
11 Rates need to provide a utility with an opportunity to recover its investment in the power  
12 grid (its fixed costs), while also allowing customers options for installing cost-effective  
13 behind-the-meter technologies that offer them an opportunity to save energy and money.

14          Arizona Investment Council (AIC) supports the rate designs contained in the APS  
15 Settlement Agreement (Settlement) as a first step towards this modernization. While  
16 additional progress remains to be made, the Settlement sets the stage for the necessary  
17 evolution and should be adopted.

18          Additional provisions contained in the Settlement will enhance and support  
19 APS's financial health, including (1) the approximately \$94 million base rate increase  
20 (before adjustors), (2) a 10 percent return on equity, (3) cost deferrals (for the  
21 installation of select catalytic reduction (SCR) equipment at the Four Corners  
22 Generating Station, the Ocotillo Modernization Project (OMP), and changes to the  
23 Arizona property tax rate), and (4) the tax expense adjustor mechanism. AIC supports  
24 these mechanisms, which will benefit the utility and its shareholders and be viewed  
25 favorably by Wall Street. Taken as a whole, the Settlement Agreement is a reasonable  
26 compromise that has benefits for both APS and its customers, and is therefore in the  
27 public interest.

1 As to the items not included in the Settlement Agreement, AIC supports APS's  
2 proposed E-32 Large rate design as well as the Up-Front Incentive Pilot Program for E-  
3 32 L for customers wishing to install energy storage. AIC shares the Company's  
4 concern that EFCA's proposed energy storage rate will subsidize certain technologies on  
5 the backs of other E-32 customers (or those in other rate classes) who choose not to  
6 employ storage technologies, creating the precise cost-shift concern that the Commission  
7 has begun the difficult process of unwinding with respect to rooftop solar facilities. AIC  
8 therefore urges the Administrative Law Judge ("ALJ") to reject EFCA's proposal and  
9 instead adopt the Company's proposals.

## 10 11 **II. AIC supports the Settlement Agreement and Urges Its Adoption.**

12 AIC supports the Settlement because it represents a practical compromise of the  
13 various parties' positions that reasonably benefit APS, its customers and its  
14 shareholders. The Commission is required by Article 15 §3 of the Arizona Constitution  
15 to prescribe just and reasonable rates, and that are also in the public interest. Taken as a  
16 whole, the Settlement provides a rate structure, and associated rate mechanisms, that  
17 allow APS a reasonable opportunity to recover its revenue requirement while at the same  
18 time mitigating the impact to its customers. (Miessner Hearing Testimony, Tr. at  
19 412:14-17; Snook Hearing Testimony, Tr. at 823:4-9). As discussed below, the  
20 Settlement prescribes just and reasonable rates and is in the public interest and should be  
21 approved.

### 22 **A. The Cost of Capital included in the Settlement Agreement will allow for** 23 **the continued financial health of APS.**

24 Maintaining the financial health of utilities in Arizona starts with providing them  
25 with a financial structure that will maintain their credit rating and attract investment  
26 capital at competitive rates. The capital structure adopted in the Settlement does this.  
27 The Settlement adopted an original capital structure of 44.2 percent debt and 55.8  
28 percent common equity, with a return on equity of 10.0 percent and an embedded cost of

1 debt of 5.13 percent. APS Settlement Agreement at § 5. Using a fair value increment of  
2 0.8 percent, the fair value rate of return will be 5.59 percent. *Id.*

3 The cost of capital provisions are consistent with previous Commission treatment  
4 of APS's capital structure, and with the capital structures of other similar vertically  
5 integrated electric utilities. (Gary Yaquinto Settlement Testimony at 4:4-6). The credit  
6 rating agencies and analysts also historically support provisions like these for a utility  
7 like APS. The cost of capital provisions should allow APS to maintain and/or continue  
8 to improve its financial condition and credit rating over time – a benefit to the utility, its  
9 shareholders, and customers alike. *Id.* at 4:6-7.

10 **B. Cost deferrals ensure the financial integrity of APS.**

11 AIC supports the three cost deferrals provided in the Settlement that allow APS to  
12 recover some of the significant capital investment in plant that will be used and useful to  
13 customers when new rates are effective. Under the first deferral, APS can defer for  
14 possible future recovery through rates all non-fuel costs of owning, operating, and  
15 maintaining the SCRs installed at Four Corners from the date they go into service until  
16 the end of 2018. At that time, APS can file a request to include the project in rates  
17 through a step increase. (*See* APS Settlement Agreement at § 9). Under the second  
18 deferral, APS can recover through future rates all non-fuel costs of owning, operating,  
19 and maintaining the OMP and retiring the existing steam generation at Ocotillo. (*See*  
20 APS Settlement Agreement at § 10). Under the third deferral, APS can defer for either  
21 future recovery, or credit to customers, Arizona property tax expense that is above or  
22 below the test year caused by changes to the applicable Arizona composite property tax  
23 rate. (*See* Settlement Agreement at § 11).

24 The first two deferrals involve the installation of the SCRs and construction of  
25 OMP. This will occur more than 12 months after the test year, and therefore could not  
26 be included within the agreed-to 12 months post-test year plant. But, because both  
27 projects are necessary and will be in-service and used and useful to customers shortly  
28 after the present rate case, some rate treatment within the Settlement was necessary. The

1 cost deferrals for the SCRs and OMP will help APS mitigate the negative financial  
2 consequences of regulatory lag that results from significant capital plant investments  
3 concluded outside of a test year without impacting current customer rates. (Gary  
4 Yaquinto Settlement Testimony at 5: 9-12). Absent an accounting order authorizing  
5 deferral of the costs of these investments, APS must book these expenses as incurred,  
6 which will immediately lower APS's reported earnings. (*Id* at 5:17-19). If APS's  
7 reported earnings are lowered, APS's credit rating is put at risk, thus making it harder  
8 for APS to obtain favorable financing. Therefore, the cost deferrals, including the step  
9 increase, are extremely important to ensure APS's financial integrity.

10       Additionally, all three cost deferrals are consistent with sound regulatory policy.  
11 The parties' willingness to use these innovative measures to mitigate the financial  
12 impact of regulatory lag sends a positive message to the financial community and Wall  
13 Street that the Commission supports the financial integrity of APS through periods of  
14 high capital expenditures. In fact, because the Settlement contains such provisions,  
15 analysts have already "taken [it] as a positive step in this rate review process."  
16 (Lockwood Hearing Testimony, Tr. at 142:8-10).

17       The three deferrals will not only aid APS's financial health, but will promote rate  
18 gradualism and prevent APS from filing pancaked rate applications. (Gary Yaquinto  
19 Settlement Testimony at 5:26-27). Rate gradualism and fewer rate cases benefit APS, its  
20 customers, the Commission and the public in general. Additionally, accounting orders  
21 are consistent with previous Commission decisions. Most recently, APS was granted an  
22 accounting order when it acquired Southern California Edison's share of the Four  
23 Corners Power Plant. (*See* Decision No. 73130 (April 24, 2012)). Consistency of  
24 regulatory treatment is closely linked to regulatory risk. Consistency reduces risk, which  
25 can increase a Company's creditworthiness, lowering the cost of capital and ultimately  
26 benefiting customers through lower rates. (Gary Yaquinto Settlement Testimony at 6:4-  
27 7).



1                   **C. Tax Expense Adjustor Mechanism benefits both the Customers and APS**  
2                   **by passing on tax benefits between rate cases.**

3           AIC supports the Tax Expense Adjustor Mechanism (TEAM). It enables a pass-  
4 through to customers if (1) new significant federal income tax reform legislation  
5 becomes effective before the conclusion of APS's next general rate case, and (2) the  
6 legislation materially impacts APS's annual revenue requirement. (*See* APS Settlement  
7 Agreement at § 16). The TEAM is an important component of the Settlement because it  
8 provides a mechanism to pass the tax benefit to customers between rate cases and  
9 promotes rate gradualism.

10                   **D. New rate designs make positive strides towards rate modernization.**

11           While the Settlement did not achieve the large step necessary to completely  
12 modernize rate design, the new rate designs contained therein make some progress  
13 towards that goal. (Miessner Hearing Testimony, Tr. at 412:12-13). AIC supports the  
14 number of new or improved residential rate designs contained in the Settlement,  
15 including new demand rate options, adjusted Time-of-Use (TOU) time frames, and an  
16 increased basic service charge (BSC). (*See* APS Settlement Agreement at § 18). These  
17 design changes will help APS manage the known changes to the customer's load shapes,  
18 especially those customers with rooftop solar who generate load shapes that are quite  
19 different from traditional residential customers. (*See* Smith Hearing Testimony, Tr. at  
20 1037:9-14).

21                   **1. Increases to the Basic Service Charge are justified and**  
22                   **necessary.**

23           The new residential rates appropriately use the BSC to recover certain fixed costs,  
24 as well as act as a price signal to influence customer choice. The redesigned volumetric  
25 rates divide non-rooftop solar residential customers into three groups based on their  
26 average per month usage, with an increasing BSC: (1) \$10 per month for customers  
27 using less than 600 kWh per month, (2) \$15 per month for customers using between  
28 600-1000 kWh per month and (3) \$20 per month for customer using more than 1000

1 kWh per month. However, if a customer wants to pay a lower BSC, he or she will be  
2 able to choose from two demand rates and a TOU rate – all with a \$13 per month BSC  
3 and a weekday on-peak period of 3:00pm to 8:00pm. (*See APS Settlement Agreement §*  
4 *17*).

5       Certain non-signatories to the Settlement take issue with the agreed-upon BSCs.  
6 For differing reasons, these entities advocate for more of the cost to be recovered in the  
7 energy charge instead of the BSC. However, charging a lower BSC for the more  
8 advanced rate was a deliberate attempt by the settling parties to incentivize customers to  
9 choose a more modern plan, while also sending a more accurate price signal to a greater  
10 number of customers. (Lockwood Hearing Testimony, Tr. 171:9-19). It is appropriate  
11 to have different BSCs associated with different rate plans if doing so reflects a more  
12 balanced approach to cost recovery, as is the case here. Additionally, with the  
13 implementation of new rates, the approximately 120,000 customers currently on a TOU  
14 rate will see a significant reduction in their BSC – from \$17.00 to \$13.00. (Lockwood  
15 Hearing Testimony, Tr. at 300:1-18). Also, if the Commission changed the BSC to a  
16 lower dollar amount, as advocated by other parties, the Commission would also have to  
17 increase the energy rate to commensurately compensate APS and maintain the integrity  
18 of the rate. (Lockwood Hearing Testimony, Tr. at 314:5-15). Putting more dollars in  
19 the energy rate increases the customer-to-customer cost shift caused by behind-the-meter  
20 technologies that reduce volumetric energy purchases from the utility – precisely the end  
21 the Commission has expressed an interest in avoiding.

22       The principles underlying rate design are multifaceted, and BSCs can be used to  
23 achieve rate and revenue stability, fairly apportion costs, reduce month-to-month  
24 variations in overall bill levels, and may also influence customers to adopt more modern  
25 rate designs. (Lockwood Settlement Rebuttal Testimony at 6:25-7:21). The  
26 compromise reached by the settling parties concerning the BSC reflects a balanced  
27 approach that moves APS and its customers towards a more modern rate future.  
28



1                   **2.     Residential solar rooftop rate design has made progress**  
2                   **towards rate parity.**

3           Although the Settlement did not completely eliminate the cost shift from rooftop  
4 solar customers to non-solar customers, the rate design in the Settlement has made  
5 significant progress. And while a cost shift still occurs, it is much smaller than what  
6 presently exists. (Snook Hearing Testimony, Tr. at 822:18-823:3).

7           The Settlement addresses issues for both current rooftop solar customers and  
8 future rooftop solar customers by agreeing to grandfather existing customers and  
9 implementing the Resource Comparison Proxy (RCP) for new rooftop solar customers.  
10 Current customers can stay on their current rate schedules, which will be increased by  
11 the average increase in base rates for the residential class and the net metering programs.  
12 (Miessner Direct Settlement Testimony at 12:22-26). Customers who submit an  
13 interconnection application after the new rates become effective may choose from any of  
14 the non-two-part rate offers: R-TOU-E, R-2, R-3, or R-Tech. A customer's use of solar  
15 on the R-TOU-E rate will also be subject to a grid access charge of \$0.93 per kW-dc of  
16 installed solar, which is expected to result in a typical bill savings of \$0.105 per kWh of  
17 solar generation before adjustment and taxes. (*Id.* at 13:3-8). Additionally, new solar  
18 customers will be served under the RCP. The initial value of the RCP purchase rate is  
19 \$0.129 per kWh. This is a stipulated rate that is the product of the settlement  
20 negotiations, not based on hard data. The parties agree that this level of compensation  
21 for solar customers is reasonable for the term of the Settlement and should be adopted.

22  
23   **III.   AIC Supports approving the E-32 Large Rate as proposed by APS.**

24           While the majority of signed an almost comprehensive Settlement, one issue was  
25 excluded to be litigated – the E-32 Large rate. AIC encourages the ALJ's approval of  
26 APS's proposed E-32 L rate and, if deemed necessary, its adjoining Up-Front Incentive  
27 Pilot program. The E-32 L rate's current design is fair and provides an important  
28 safeguard to ensure that customers with storage, or any other technology, pay their fair

1 share of grid costs and not shift their grid costs to other customers. (Miessner Hearing  
2 Testimony, Tr. at 342:15-21). In fact, large commercial APS customers have been  
3 served under this rate structure for years and have continued to invest in energy  
4 efficiency even with the demand ratchet feature. The E-32 L rate design already  
5 accurately reflects cost causation, and no evidence compels a different conclusion.  
6 (Miessner Hearing Testimony, Tr. at 348:6-10).

7 Approximately 960 customers currently take service on the E-32 L rate. (Snook  
8 Hearing Testimony, Tr. at 805:3-4). These customers are typically very sophisticated  
9 energy users and participate in utility regulatory proceedings. In fact, a number of  
10 intervening parties to this proceeding represent this class. None of those intervenors  
11 supports EFCA's proposal or objects to APS's proposal with respect to the E-32 rate.  
12 Nor does EFCA represent any of the customers in this class. Instead, EFCA represents  
13 "businesses that develop, provide, and research customers' adoption of residential and  
14 commercial distributed energy resources." (Garrett Hearing Testimony, Tr. at 1234:24-  
15 1235:14). EFCA promotes its members and their products by participating in public  
16 utility commission proceedings, across the country. EFCA's advocacy on the E-32 L  
17 demand ratchet issue is intended to directly benefit third-party businesses, not the  
18 utility's customers. (*Id.* at 1234:18-25). On the merits, APS's proposal is balanced and  
19 takes into account the utility and its customers, whereas EFCA's only addresses the  
20 interests of unregulated third-party businesses.

21 **A. APS's use of a demand ratchet in the E-32 L rate is a common utility**  
22 **mechanism that fairly allocates costs based on cost causation.**

23 A demand ratchet is a common feature of commercial billing rate design. Its  
24 purpose is to help ensure that a customer pays its appropriate level of grid costs when  
25 demand is billed on a monthly basis. (Miessner Direct Settlement Testimony at 17:24-  
26 25). In the E-32 L class, grid infrastructure is commonly upgraded to serve the  
27 customer's specific electrical requirements; therefore a demand ratchet is extremely  
28 important for recovering those grid infrastructure costs. *Id.* at 17:25-27. If APS incurs

1 investments costs to serve a customer with a specific demand requirement, and that  
2 customer's demand drops or fluctuates, there is a significant potential that APS will  
3 incur stranded grid-costs or be underfunded. APS witness Mr. Miessner described the  
4 dilemma:

5 [A] customer requires 1,000 kW of grid infrastructure to serve  
6 1,000 kW of summer load. APS recovers this cost throughout  
7 the year in monthly demand charges. If the customer's load  
8 drops to 700kW in January, and the customer was billed that  
9 amount, the grid costs necessary to serve their load would be  
10 underfunded. Under the ratchet provision, the customer would  
11 be billed for 800 kW in January, which is 80% of their summer  
12 kW. Therefore the ratchet provision reduces but does not  
13 eliminate, the potential underfunding issue. . . . without the  
14 ratchet provision the customer would not pay their cost of service  
15 for grid infrastructure costs, such as generation capacity,  
16 transmission lines and distribution costs. APS incurred 1,000  
17 kW of costs to serve the customer, but the customer only pays for  
18 700 kW in the winter months. In this circumstance, those grid  
19 costs would be shifted to other customers within that rate class in  
20 APS's next rate case.

21 (*Id.* at 18:5-27).

22 Demand ratchets are often necessary to mitigate the concern that "if the demand  
23 of a customer group drops off dramatically, that the utilities would still be recovering  
24 their fixed costs of the portions of the utility's system that were built to serve that  
25 demand level." (Smith Hearing Testimony, Tr. at 1000:18-22). Maintaining demand  
26 ratchets as part of the E-32 L rate design is the most equitable way to fairly allocate  
27 costs based on cost causation. (Miessner Direct Settlement Testimony at 18:27).

28 **B. EFCA's claim that demand ratchets discourage the adoption of energy  
storage is flawed and its proposal for an optional non-ratchet LGS tariff  
for energy storage customers should be rejected.**

EFCA contends the demand ratchet discourages the adoption of energy storage.  
This contention is both flawed and exaggerated. First, a ratchet does not eliminate any  
potential for first year demand savings from storage if the storage is installed at the

1 appropriate time. (Miessner Direct Settlement Testimony at 16:7-9). Additionally, the  
2 sophisticated energy customers in this rate class are not making energy management  
3 decisions based on first year savings, instead “[t]hese are investments that are lasting  
4 many years, for which a decision will not be based solely on the bill savings of any one  
5 year, whether it is the first year, the last year, or any one year in between.” (Miessner  
6 Hearing Testimony, Tr. at 346:7-10). Second, one of the goals of a ratchet is to  
7 encourage reducing load during the high-use summer months. Using storage to reduce  
8 summer load will positively affect a customer’s ratchet and would not reduce demand  
9 savings on an on-going annual basis whenever winter loads are lower than summer  
10 loads. (Miessner Direct Settlement Testimony at 16:9-14).

11 EFCA’s proposed rate is an optional non-ratcheted, time differentiated rate with  
12 an embedded incentive. This is bad public policy. The Commission should approve  
13 cost-based rates that are technologically neutral, and not vote to eliminate cost-based  
14 rates in favor of rates that include an incentive for a particular technology. (Lockwood  
15 Hearing Testimony, T. 140:18-23). Rate design should be designed to recover costs and  
16 send proper price signals by properly allocating the cost to the customer that causes the  
17 cost. (Snook Hearing Testimony, Tr. 805:12-15). EFCA’s rate proposal would attempt  
18 to maximize bill savings for an individual customer irrespective of the actual reduction  
19 in costs to the utility to serve that customer, which would result in “another ‘net  
20 metering’ style problem with significant costs shifting to non-storage customers.”  
21 (Miessner Rebuttal Settlement Testimony at 16:14-15).

22 Additionally, if some parties agree that the primary purpose of a demand ratchet  
23 is to assure full cost recovery, then the corollary must also be true— that removing the  
24 ratchet puts cost recovery at risk. (Lockwood Hearing Testimony, Tr. at 141:1-3).  
25 Removing the ratchet, even just for “optional” rates, could impact APS’s ability to  
26 recover the revenue requirement allocated to the LGS customer class. (Garrett Hearing  
27 Testimony, Tr. at 1239:18-22).

1           **C. AIC supports APS's proposed Up-Front Incentive Pilot for E-32-L, if the**  
2           **Commission believes an incentive for energy storage is necessary.**

3           In response to the concerns expressed by EFCA in this proceeding, APS has  
4           proposed an Up-Front Incentive pilot program for customers in the E-32-L class that  
5           want to invest in energy storage. As previously discussed, there are serious concerns  
6           that taking "a rate design that's robust and embedding an incentive in it," would create  
7           the same issues down the road as the residential rooftop solar incentives created. (Snook  
8           Hearing Testimony, Tr. at 811:17-19). Therefore, instead of an embedded incentive,  
9           APS proposed a demand side management program that includes up-front incentives  
10          coupled with a time-of-use rate. Customers in the E-32 L rate class would be eligible for  
11          an up-front incentive of up to 50 percent of the total system costs or \$100,000 depending  
12          on the storage duration, the design point and the number of storage hours. *See Id.* at  
13          812:23-813:12. The customer would also have to be on the time-of-use rate to  
14          participate. Additionally, to address EFCA's concerns about first year savings, at  
15          whatever time of year the storage system is installed, APS would reset the value used to  
16          determine the ratchet, based on the system installed. *See APS Exhibit-33 ¶ 3.* Another  
17          customer friendly component of this proposal is the one-time demand forgiveness – if a  
18          customer contacts APS, it will remove a one-time demand spike from that customer's  
19          billing determinant. *See APS-Exhibit 33 ¶ 2.*

20          If, in addition to the currently structured E-32 L rate design, the Commission  
21          wants to offer large commercial and industrial customers another option to encourage  
22          the adoption of storage systems, AIC supports APS's proposal. The proposal  
23          demonstrates that the utility has listened to EFCA's concerns in this case and is willing  
24          to make adjustments in the name of compromise. More importantly, AIC believes that  
25          up-front incentives better support sound regulatory policy, preventing the inevitable  
26          future controversy that surrounds embedded subsidies, which is what are contained in  
27          EFCA's suggestion.



1 **IV. Any criticism of the Settlement Agreement process is unfounded. The**  
2 **Settlement Agreement is the product of a collaborative effort.**

3 The Settlement resulted from an arduous but inclusive and collaborative effort by  
4 APS, Staff and the intervenors. AIC and other parties were provided advance notice of  
5 meetings to discuss the possibility of settlement, and afforded ample opportunity to  
6 participate in the discussions. To aid in the discussions, term sheets and other  
7 supplemental material were distributed before the meetings so the parties could follow  
8 the settlement progress.

9 Settlement by its nature should be a give and take process, and there are a number  
10 of important aspects of the Settlement that demonstrate this. For example, APS had  
11 originally asked for 10.5 percent Return on Equity (ROE) but settled on 10 percent; APS  
12 originally put forth a one percent fair value increment, but settled on 0.8 percent; and 12  
13 months of post-test year plant are included in rate base, even though APS requested 18  
14 months and had been provided 15 months in its previous rate case. Snook Hearing  
15 Testimony, Tr. at 817:21-25 – 818:1-3; Decision No. 73183 (May 24, 2012).

16 Even more telling of the compromise nature of this Settlement is the rate designs.  
17 APS had originally proposed mandatory demand rates with basic service charges  
18 ranging from \$14.50 to \$24.00. However, the Settlement provides customers with a  
19 wide array of choices, including: two-part volumetric rates for small usage customers,  
20 time-of-use rates with varying basic service charges, three-part demand rates, and even a  
21 technology rate. *See* APS Settlement Agreement § 17. Ultimately, no party got  
22 everything it wanted, and “the fact that [the parties] were able to get this widely diverse  
23 community of divergent interest to sign onto this thing suggests that it is a settlement  
24 agreement that’s in the public interest.” (Smith Hearing Testimony, Tr. at 1039:10-13).

25  
26 **V. Conclusion.**

27 The Settlement provides for just and reasonable rates that are in the public  
28 interest. For the foregoing reasons, AIC respectfully requests that the ALJ recommend



1 approval of the APS Settlement Agreement, as signed by the settling parties, and  
2 approve APS's proposed E-32 Large rate design and, if needed, the proposed Up-Front  
3 Pilot Incentive Program.

4 RESPECTFULLY SUBMITTED this 17th day of May, 2017.

5  
6 OSBORN MALEDON, P.A.

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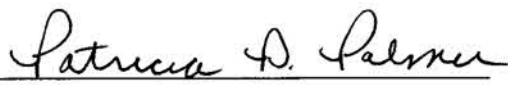
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11  
12 **Original and 13 copies** filed this  
17th day of May, 2017, with:

13 Docket Control  
14 Arizona Corporation Commission  
1200 West Washington Street  
15 Phoenix, AZ 85007

16 **Copies** of the foregoing mailed  
this 17th day of May, 2017, to:

17 All Parties of Record

18  
19 

20 7131165